

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1

A COMPONENT UNIT OF WASHINGTON COUNTY, UTAH

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS



KEMP BURDICK

KEMP BURDICK HINTON & HALL L.C.

CPA'S & ADVISORS

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KEMP BURDICK

KEMP BURDICK HINTON & HALL L.C.

CPA'S & ADVISORS

Independent Auditors' Report

Administrative Control Board
Washington County Solid Waste Special Service District #1
St. George, UT 84770

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT COX
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying basic financial statements of Washington County Solid Waste Special Service District #1, a component unit of Washington County, as of December 31, 2005 and 2004, and for the years then ended, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Washington County Solid Waste Special Service District #1, as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis information on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The statement of revenues and expenses by department is presented for purposes of additional analysis and is not a required part of the audited financial statements of Washington County Solid Waste Special Service District #1. The totals in the statement of revenues and expenses by department were subjected to the auditing procedures applied in the audit, but the allocation between departments was not audited.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.
June 30, 2006

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1

Management's Discussion and Analysis

As management of Washington County Solid Waste Special Service District #1, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance for the year ending December 31, 2005. Please read it in conjunction with the District's financial statements and additional information that we have furnished in the Independent Auditor's Report.

FINANCIAL HIGHLIGHTS

The District's total assets as of December 31, 2005 are \$15,318,715. The District's assets exceed its liabilities by \$12,145,555 as of December 31, 2005. This amount will be used to meet the district's obligation to close the landfill cell and its ongoing obligations to customers, employees, and creditors.

The District's operating expenses are largely the result of the contract with Allied Waste, to pick up residential garbage, operation of the landfill, and the purchase and delivery of residential garbage containers.

The District's revenues are mainly garbage collection fees, commercial haulers fees, and landfill revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report includes the Independent Auditor's Report and the Basic Financial Statements of the District.

QuickBooks accounting program provides the financial records supporting the District's financial reports. These statements offer financial information about the District's activities. The Statement of Net Assets includes all of the District's assets and liabilities.

All of the current year's revenues and expenses are accounted for in our Statement of Revenues, Expenses and Changes in Net Assets. The District's operating expenses increased by \$575,768 from 2004 to 2005. The increase was mostly attributed to an increase operations contract and sanitation charges expenses resulting from increased population and landfill usage. The District's revenues also increased by \$703,428 from 2004 to 2005. The increase in revenues was due to population growth in Washington County.

The Statement of Cash Flows reports net cash provided by operating activities, net cash used by investing activities, and net cash provided by capital and related financing activities. It also includes the net cash increase for the period, cash at the beginning of the period and cash at the end of the period.

An income and expense by month graph, included at the end of this section, reports, by month, the District's income compared to its expenses, as well as a summary chart of significant expenses.

DEBT ADMINISTRATION

Washington County Solid Waste Special Service District #1 has accounts with the Utah Public Treasurer's Investment Fund held for the future closure of the current landfill cell. The post closure payable is the only long-term liability of the District. The estimated temporary closure of the current cell is 2006.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Washington County Solid Waste Special Service District #1 prepared its 2006 budget anticipating a nominal overall growth in tonnage of waste handled over the next year. However, the District's board approved a .25 cent increase in residential garbage fees for 2006. The board may increase basic landfill fees as well. Furthermore, the board approved Allied Waste's request for a fuel recovery fee, which is a sliding scale ranging from \$.03 to \$.48 per residence.

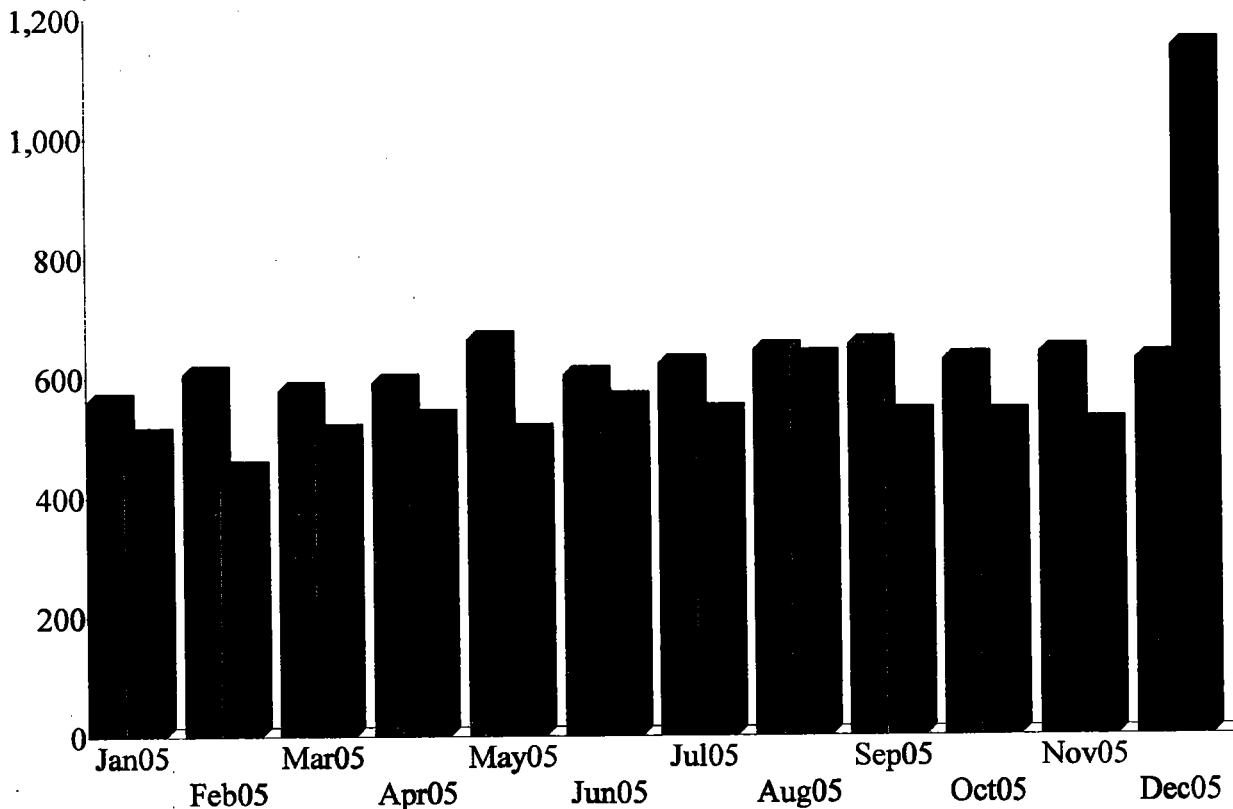
REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the district manager, Susie Holt, 325 N. Landfill Rd., Washington, UT 84780.

Income and Expense by Month
January through December 2005

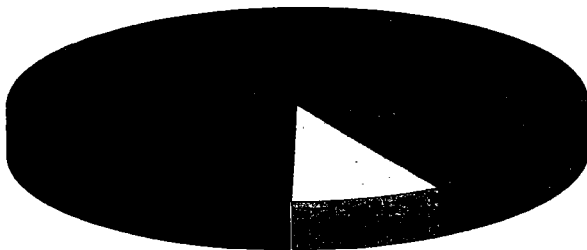
Income
Expense

\$ in 1,000's



Expense Summary
January through December 2005

4470 · OPERATIONS CONTRACT	%40.16
4590 · RESIDENTIAL COLLECTION	34.54
4250 · LAND,CELL CLOSURE FUND	8.53
5100 · DEPRECIATION EXP	4.32
4100 · SALARIES & WAGES	3.01
4591 · PAGE, AZ EXPENSE	2.71
4315 · COLLECTION STATION LIFT FEES	1.46
4110 · EMPLOYEE BENEFITS	1.22
4435 · RED ROCK SLUDGE	0.63
4323 · COMPACTION BONUS	0.57
Other	2.85



WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Statement of Net Assets
December 31, 2005 & 2004

	Proprietary Fund Type	
	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,468,588	\$ 6,577,870
Accounts receivable, net of \$3,000 allowance	571,712	573,563
Prepaid expenses	7,350	-
Total current assets	<u>8,047,650</u>	<u>7,151,433</u>
Noncurrent assets:		
Restricted cash and cash equivalents	4,545,736	4,398,141
Property and equipment:		
Land	5,000	5,000
Buildings and improvements	2,643,772	2,643,772
Vehicles	56,363	56,363
Office furniture and fixtures	61,150	55,911
Machinery and equipment	2,159,751	1,854,923
Less: accumulated depreciation	<u>(2,200,707)</u>	<u>(1,939,322)</u>
Total noncurrent assets	<u>7,271,065</u>	<u>7,074,788</u>
Total assets	<u>15,318,715</u>	<u>14,226,221</u>
Liabilities		
Current liabilities:		
Accounts payable	512,462	465,960
Accrued liabilities	6,809	6,236
Accrued compensation	4,435	5,677
Total current liabilities	<u>523,706</u>	<u>477,873</u>
Noncurrent liabilities:		
Post closure payable	<u>2,649,454</u>	<u>2,054,456</u>
Total noncurrent liabilities	<u>2,649,454</u>	<u>2,054,456</u>
Total liabilities	<u>3,173,160</u>	<u>2,532,329</u>
Net Assets		
Invested in capital assets, net of related debt	2,725,329	2,676,647
Restricted for closure & post closure costs	4,545,736	4,398,141
Unrestricted	<u>4,874,490</u>	<u>4,619,104</u>
Total net assets	<u>\$ 12,145,555</u>	<u>\$ 11,693,892</u>

The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1**(A Component Unit of Washington County, Utah)****Statement of Revenues, Expenses, and Changes in Net Assets****For the Years Ended December 31, 2005 & 2004**

	Proprietary Fund Type	
	2005	2004
Operating revenues		
Charges for services	\$ 7,088,559	\$ 6,385,131
Operating expenses		
Auto expense	14,460	9,596
Board expense	5,137	5,116
Closure & post closure expense	594,998	795,685
Compost expense	75,715	88,484
Depreciation	301,851	279,276
Employee benefits	84,832	70,446
Engineering expense	2,333	-
Insurance	28,104	28,368
Miscellaneous	18,491	17,379
Office expense	11,607	11,206
Operations contract	3,031,788	2,526,413
Postage and office supplies	20,518	19,137
Professional fees	28,630	25,240
Public notices	3,652	2,864
Rent expense	4,603	3,704
Salaries & wages	207,593	182,788
Sanitation charges	2,512,702	2,305,352
Taxes - payroll	16,621	14,242
Taxes - tonnage	7,350	7,350
Tire disposal	6,104	8,675
Total operating expenses	6,977,089	6,401,321
Net operating income	111,470	(16,190)
Non-operating income (expenses)		
Interest income	340,193	164,100
Total nonoperating income (expenses)	340,193	164,100
Change in net assets	451,663	147,910
Total net assets--beginning	11,693,892	11,545,982
Total net assets--ending	\$ 12,145,555	\$ 11,693,892

The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Statement of Cash Flows
For the Years Ended December 31, 2005 & 2004

	Proprietary Fund Type	
	2005	2004
Cash flows from operating activities:		
Cash received from customers	\$ 7,083,060	\$ 6,291,644
Cash paid to suppliers	(5,724,692)	(5,051,835)
Cash paid to employees	(309,715)	(266,721)
Net cash flows from operating activities	<u>1,048,653</u>	<u>973,088</u>
Cash flows from investing activities:		
Purchase of property and equipment	(350,533)	(264,547)
Interest income	<u>340,193</u>	<u>164,100</u>
Net cash flows from investing activities	<u>(10,340)</u>	<u>(100,447)</u>
Cash flows from capital and related financing activities:		
Interest paid	<u>-</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	1,038,313	872,641
Cash and cash equivalents at beginning of year	<u>10,976,011</u>	<u>10,103,370</u>
Cash and cash equivalents at end of year	<u><u>\$ 12,014,324</u></u>	<u><u>\$ 10,976,011</u></u>
Reconciliation of operating income to net cash flows from operating activities:		
Net operating income (loss)	\$ 111,470	\$ (16,190)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:		
Depreciation	301,851	279,276
Post closure expense	594,998	795,685
(Increase) decrease in accounts receivable	1,851	(111,030)
(Increase) decrease in prepaid expenses	(7,350)	17,543
Increase (decrease) in accounts payable	46,502	7,049
Increase (decrease) in accrued liabilities	(669)	755
Net cash flows from operating activities	<u><u>\$ 1,048,653</u></u>	<u><u>\$ 973,088</u></u>

The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Washington County Solid Waste Special Service District Number 1 (the District) conform with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity - The District is the governmental entity providing solid waste disposal service to the residents and municipalities of Washington County and the City of Page, Arizona. There are no other agencies or component units that should be associated with these financial statements. The District is classified as a component unit of Washington County.

Fund Accounting - The District's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's only fund is a proprietary type which accounts for the District's solid waste operations.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 1. Summary of Significant Accounting Policies, Continued

Budget Policy and Process - The Service District adopts an annual budget. The budget is prepared on the cash basis. The Service District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. Budgetary information has not been amended during the year. Budget appropriations lapse at year-end.

Source of Revenues - Revenues are generated from solid waste sanitation disposal services contracted with the District and billed monthly, mainly to the communities within the District, on a per-residence basis.

Encumbrances - Encumbrance accounting is not used.

Cash and Cash Equivalents - The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets - Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of net assets is restricted to provide funding to pay costs expected to close the District's landfill. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 2. Deposits and Investments, Continued

The District follows the requirements of the Utah Money Management Act (Utah code, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, \$6,471,188 of the District's bank balance of \$6,804,012 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 2. Deposits and Investments, Continued

not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Local Government Pooled Investment Fund	\$ 5,731,398	\$ 5,731,398	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 5,731,398</u>	<u>\$ 5,731,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At December 31, 2005 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Local Government Pooled Investment Fund	\$ 5,731,398	\$ -	\$ -	\$ -	\$ 5,731,398
Total Fair Value	<u>\$ 5,731,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,731,398</u>

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 3. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

	Useful Life (Years)	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Capital assets, not being depreciated:					
Land	-	\$ 5,000	\$ -	\$ -	\$ 5,000
Total capital assets, not being depreciated		5,000	-	-	5,000
Capital assets, being depreciated:					
Buildings and Improvements	10-40	2,643,772	-	-	2,643,772
Vehicles	5-7	56,363	-	-	56,363
Office Furniture and Fixtures	3-10	55,911	6,940	1,701	61,150
Machinery and Equipment - Landfill	5-15	1,854,923	343,593	38,765	2,159,751
Total capital assets, being depreciated		4,610,969	350,533	40,466	4,921,036
Less: accumulated depreciation for:					
Buildings and Improvements		(785,694)	(92,852)	-	(878,546)
Vehicles		(39,656)	(3,931)	-	(43,587)
Office Furniture and Fixtures		(42,423)	(5,990)	(1,701)	(46,712)
Machinery and Equipment - Landfill		(1,071,549)	(199,078)	(38,765)	(1,231,862)
Total accumulated depreciation		(1,939,322)	(301,851)	(40,466)	(2,200,707)
Total capital assets, being depreciated, net		2,671,647	48,682	-	2,720,329
Total capital assets, net		\$ 2,676,647	\$ 48,682	\$ -	\$ 2,725,329

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 4. Major Contracts

Garbage Collection Contract:

A garbage collection contract was entered into during 1999. It became effective on October 27 and allows for 10 years of landfill operation and garbage pickup.

The contract allowed charges from Allied Waste Transportation, Inc. at \$4.80 per residence through December 31, 2002. The District added an administrative fee of \$1.55 for pickup and \$2.80 for landfill operations per residence, and the communities generally charge an additional fee of about \$.50 per residence. Charges from Allied Waste Transportation, Inc. for monthly residential pickup were scheduled to increase according to the following schedule:

01/01/03 - 12/31/06	\$5.05
01/01/07 - 12/31/09	5.30

During 2001, The District approved an amendment to the proposed rate increases. Because of rising fuel costs, \$0.10 of the proposed 2003 rate increase of \$0.25, was granted effective July 1, 2001. The remaining \$0.15 increase took effect as scheduled on January 1, 2003. Therefore, charges from Allied Waste Transportation, Inc. for monthly residential pickup are as follows:

7/01/01 - 12/31/02	\$4.90
1/01/03 - 12/31/06	5.05
1/01/07 - 12/31/09	5.30

In January of 2006, the District approved Allied's request for a fuel recovery fee, which is based on a sliding scale ranging from \$.03 to \$.48 per residence.

Under the contract, all residences are required to utilize the automated carts. The District controls the purchase, assembly and delivery of all carts.

Allied is responsible for obtaining bonding of \$1,000,000 guaranteeing faithful performance of the contract and \$500,000 guaranteeing payment of wages to all employees of Allied. Liability insurance etc. is also the responsibility of Allied.

Landfill Operation Agreement:

Effective May 1, 1999, the District entered into a contract with Allied Waste Transportation, Inc. (dba Red Rock Waste Services) for operation of the landfill. The contract term is from May 1, 1999 to December 31, 2009. Operations include compliance with all state and federal laws pertaining to the operation of landfills, obtaining and maintaining the necessary permits and licenses, operation of the composting project, repair and maintenance of all buildings and

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 4. Major Contracts, Continued

improvements (except the gatehouse/scales), insurance coverage, and employment of necessary personnel.

The District will continue to operate the District office, gatehouse and scales; be responsible for controlling access to the landfill, weighing and keeping records of waste received at the landfill, and the billing/collecting of all fees charged for waste disposal at the landfill.

Per the operations agreement, Allied's monthly billings were calculated at 14.94 per ton, based on the annual rate of \$1,352,660, divided by the 90,428 tons of waste taken in during 1999.

Allied is responsible for obtaining bonding of \$2,000,000 guaranteeing faithful performance of the contract and \$500,000 guaranteeing payment of wages to all employees of Allied. Liability insurance etc. is also the responsibility of Allied.

Amendment to the Landfill Operations Agreement:

Effective March 3, 2000, the Landfill Operation Agreement was amended. The original contract provides that no solid waste generated outside the boundaries of the District shall be accepted by Allied Waste Transportation, Inc. for disposal at the Washington County Landfill, except as approved or authorized by the District.

The contract has been amended to allow Allied to accept for disposal at the Washington County Landfill all municipal solid waste generated by the City of Page, Arizona and surrounding national park service areas, and hauled to the PSI transfer station in Page, Arizona, not to exceed 20,000 tons per year. The term of the addendum shall not exceed a period of 12 years.

The contract allows Allied to charge the District \$11.80 per ton for the solid waste from the PSI transfer station.

Note 5. Defined Benefit Pension Plan

Plan Description

The District contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 5. Defined Benefit Pension Plan, Continued

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, the District is required to contribute 11.09% for January - June and 11.09% for July - December of the employee's annual covered salary. The contribution rates are the actuarially determined rates, and are approved by the Board as authorized by Chapter 49.

The required contributions and amounts received for the 2005 calendar year and the two previous years are as follows:

	Year Ended 12/31	Employee paid contributions	Employer paid for employee contributions	Employer contributions	Salary subject to retirement contributions
Noncontributory System:					
Local Governmental Division					
	2005	\$ -	\$ -	\$ 23,159.72	\$ 208,834.86
	2004	-	-	18,857.73	182,024.59
	2003	-	-	16,068.80	175,402.52
Defined Contribution System:					
457 Plan					
	2005	\$ 13,000.00	\$ -	-	-
	2004	12,220.00	-	-	-
	2003	11,960.00	-	-	-
401(k) Plan					
	2005	\$ 7,267.00	\$ 3,988.76	-	-
	2004	7,150.00	4,805.48	-	-
	2003	7,137.50	6,733.54	-	-

The contributions were equal to the required contributions for each year.

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 6. Closure and Post Closure Care Cost

State and federal laws and regulations require the District to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is divided into various cells which will each be opened as the need arises for additional capacity. Currently, only cell #1 is being used. The \$2,649,454 reported as landfill closure and post closure care liability at December 31, 2005, represents the cumulative amount of closure and post closure costs reported to date based on the use of the estimated capacity of cell #1 of the landfill. An estimated 79.43% of the cell #1 capacity had been used by December 31, 2005. The District will recognize the remaining estimated cost of closure and post closure care of \$686,146 as the remaining estimated capacity of the cell is filled. These amounts are based on what it would cost to perform all closure and post closure care for cell #1 in 2005. The District expects to close the entire landfill in the year 2041. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The District is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post closure care. The District is in compliance with these requirements, and, at December 31, 2005, investments of \$4,545,736 were held for these purposes.

SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Statement of Revenues and Expenses by Department
For the Year Ended December 31, 2005

	<u>Administrative</u>	<u>Landfill</u>	<u>Collection</u>	<u>Composting</u>	<u>Total</u>
Operating revenues					
Charges for services	\$ 269,110	\$ 3,357,065	\$ 3,123,465	\$ 338,919	\$ 7,088,559
Operating expenses					
Auto expense	5,438	-	9,022	-	14,460
Board expense	5,137	-	-	-	5,137
Closure & post closure expense	-	594,998	-	-	594,998
Compost expense	-	-	-	75,715	75,715
Depreciation	301,851	-	-	-	301,851
Employee benefits	52,957	15,257	16,618	-	84,832
Engineering expense	-	2,333	-	-	2,333
Insurance	5,117	22,987	-	-	28,104
Miscellaneous	4,155	9,887	4,449	-	18,491
Office expense	8,938	544	2,125	-	11,607
Operations contract	-	2,842,538	189,250	-	3,031,788
Postage and office supplies	14,293	6,225	-	-	20,518
Professional fees	28,630	-	-	-	28,630
Public notices	3,652	-	-	-	3,652
Rent expense	1,190	1,277	2,136	-	4,603
Salaries & wages	100,339	27,430	79,824	-	207,593
Sanitation charges	-	-	2,512,702	-	2,512,702
Taxes - payroll	8,049	2,191	6,381	-	16,621
Taxes - tonnage	-	7,350	-	-	7,350
Tire disposal	-	6,104	-	-	6,104
Total operating expenses	539,746	3,539,121	2,822,507	75,715	6,977,089
Net operating income (loss)	(270,636)	(182,056)	300,958	263,204	111,470
Non-operating income (expenses)					
Interest income	340,193	-	-	-	340,193
Total nonoperating income (expenses)	340,193	-	-	-	340,193
Net income (loss)	\$ 69,557	\$ (182,056)	\$ 300,958	\$ 263,204	\$ 451,663

OTHER COMMUNICATIONS
FROM
INDEPENDENT AUDITORS



KEMP BURDICK

KEMP BURDICK HINTON & HALL L.C.

CPA'S & ADVISORS

**Independent Auditors' Report on
Internal Control over Financial Reporting
And on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards**

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT COX
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

Administrative Control Board
Washington County Special Service District # 1
St. George, Utah 84770

We have audited the basic financial statements of the Washington County Solid Waste Special Service District #1, a component unit of Washington County, and have issued our report thereon dated June 30, 2006. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the board, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

While these reports are intended to be used by the specified parties, which include the applicable government regulatory bodies which require the reports, this report restriction does not alter the fact that the audit reports are public documents which, based on Utah laws, must be open to inspection by any interested person.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

June 30, 2006



KEMP BURDICK

KEMP BURDICK HINTON & HALL L.C.

CPA'S & ADVISORS

**Independent Auditors' Report on
State of Utah Legal Compliance**

Administrative Control Board
Washington County Solid Waste Special Service District #1
St. George, UT 84770

MEMBERS:
KRIS J. BRAUNBERGER
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GREGORY A. KEMP
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MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the basic financial statements of Washington County Solid Waste Special Service District #1; a component unit of Washington County; for the year ended December 31, 2005, and have issued our report thereon dated June 30, 2006. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005.

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other General Compliance Issues

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of Washington County Solid Waste Special Service District #1 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of non-compliance with the requirements referred to above.

In our opinion, Washington County Solid Waste Special Service District #1, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

June 30, 2006